

Audit Issues and Perkins Funding

April 27, 2004

Arkansas Perkins Accountability Conference

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Quick overview of Federal role in Career Tech 1963-2004



Where does the Bush Administration stand on Career Tech??

Bush Budget for FY 2005

“Career and technical training in our nation’s high schools has largely been an outdated relic, suitable for the classroom realities of the 1950’s...”

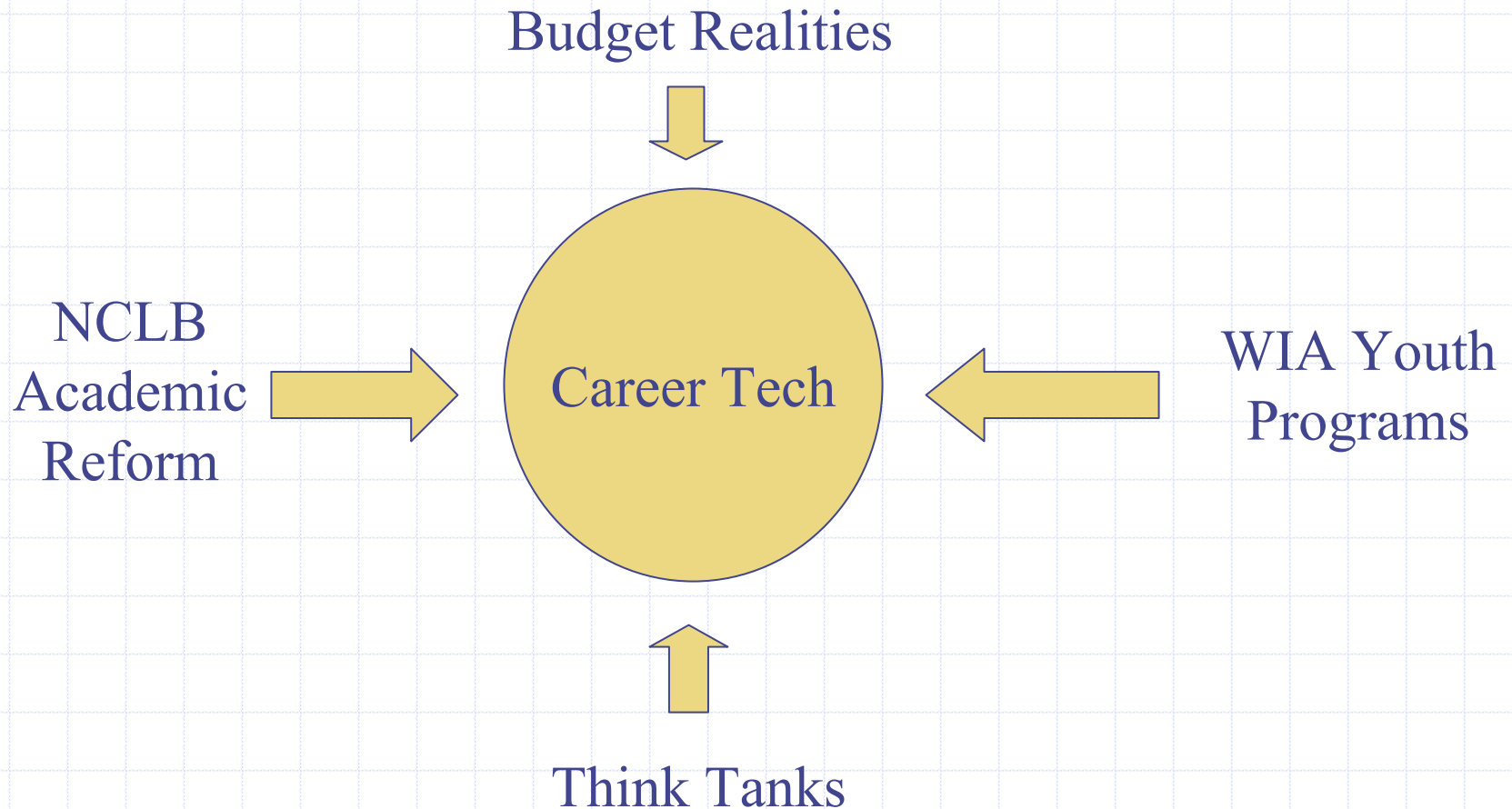
Bush Budget for FY 2005

“Students participating in vocational education programs in our nation’s high schools are often limited to courses that offer a narrow set of job skills and poor academic preparation for college and the modern workforce.”

Bush Budget for FY 2005

“There has been scant evidence that the Department’s Vocational Education State Grants Program leads to positive student outcomes despite decades of increasing federal investment.”

Challenges to Career Tech Education





Administration will look at Perkins
Reauthorization as a High
School Reform Platform

OMB used a new rating tool

“Program Assessment Rating Tool” (PART)



Bush 2005 Budget

“The program scored the lowest possible rating (Ineffective) on the Administration’s Program Assessment Rating Tool”



**Administration (OMB)
used PART to rate 130
federal programs on
effectiveness**

PART has 30 questions on four critical areas:

1. Purpose & Design
2. Strategic Planning
3. Management
4. Results & Accountability



PART Applied to Perkins

◆	Purpose	20
◆	Planning	43
◆	Management	67
◆	Results/Acct.	0

PART Applied to Perkins

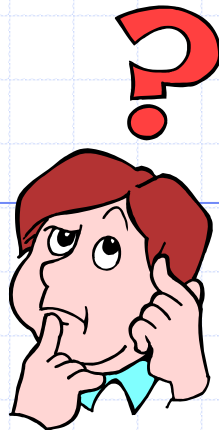
“Program provides little or no measurable advantage for high school students in terms of high school completion, postsecondary enrollment, and academic achievement”

PART Applied to Perkins

“Annual performance data show that many states are not making adequate progress in achieving positive student outcomes.”

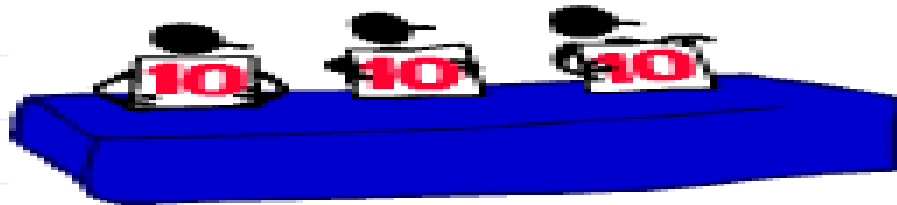
PART Applied to Perkins

“There are significant problems with how the program collects information from grantees.” e.g.
“Who is a Voc. Ed. student?”



PART RATING for PERKINS:

“INEFFECTIVE”



“The Administration proposes to hold schools accountable for:

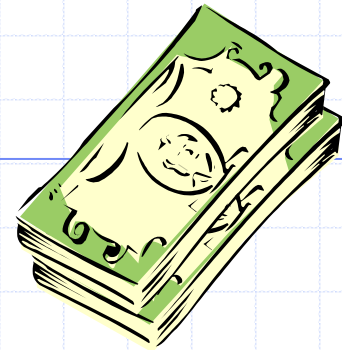
1. High academic achievement standards
2. Improved job readiness skills
3. Critical employment outcomes such as quality job placements”

President's 2005 Budget

◆	Basic Grant	0
◆	SEC/TEC	1,012,000
◆	TECH Prep	0
◆	Tech Prep Demonstration	0
◆	National Programs	0
◆	Section 118 Occupational Info.	0



House / Senate Approved
\$1.195 Billion for 2004





◆ If they are going to do the same things
with the money, it's a waste of money"


Susan Scalafani
October 26, 2003



◆ "Rather than continue to subsidize
classes in shoe repair..."

Carol D'Amico
3-19-03 to Congress
on Perkins

- A classic "Red Herring"



◆ "There are very different views in Congress about where legislation to overhaul federal vocational education efforts should head."

Susan Scalafani
February 9, 2004

NCLB Issues Impacting Perkins

- A. Unfunded Mandate
- B. Highly Qualified Teachers
- C. Scientifically Based Research
- D. Adequate Yearly Progress - Sanctions

Unfunded Mandate



At least 22 States are
considering future
participation

Highly Qualified Teachers

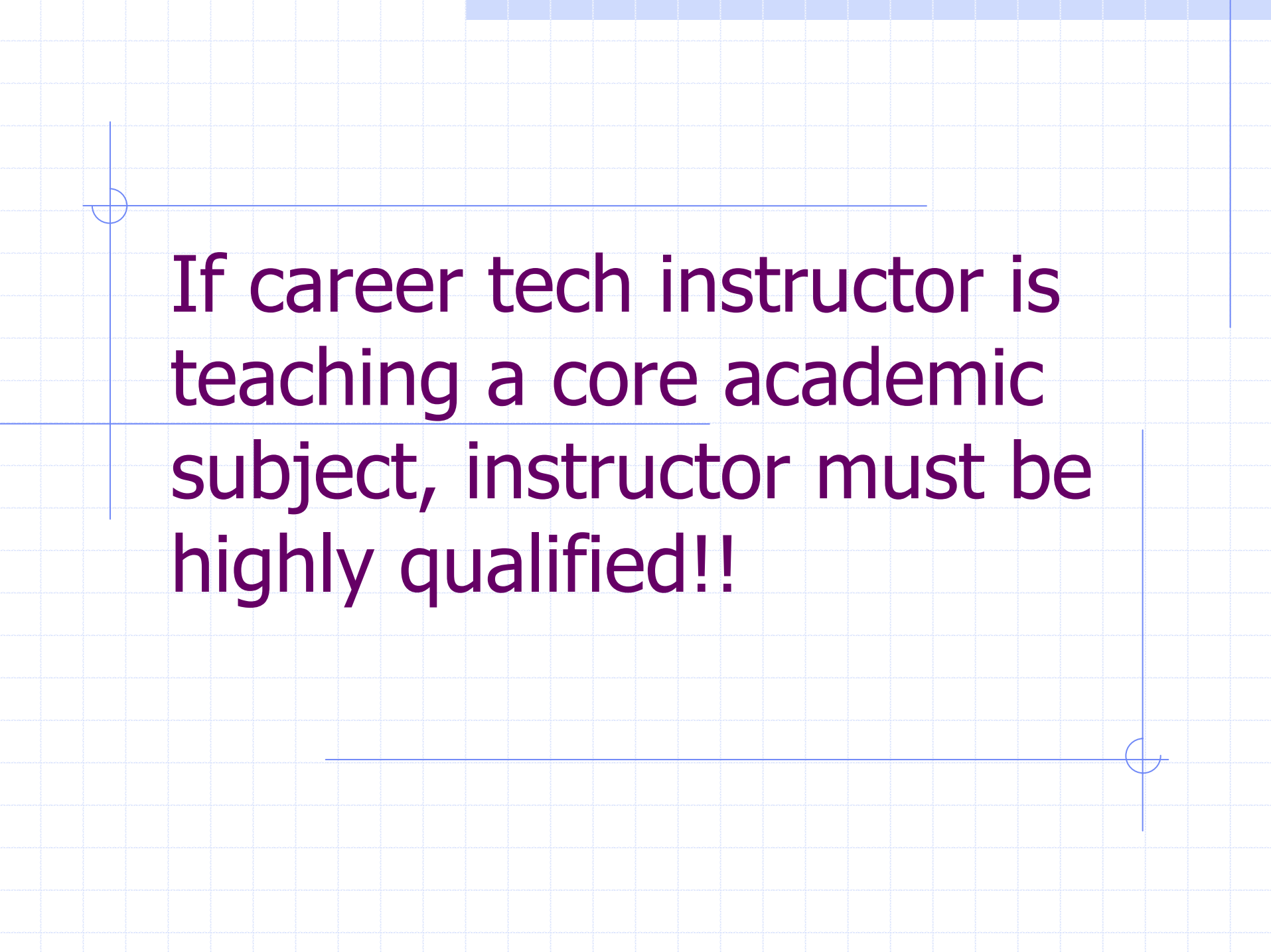
By 2005-06, ALL teachers in *core academic* areas must have:

- State certification;
- Bachelor's degree; AND
- State test / advanced coursework / advanced credentialing / state evaluation

Highly Qualified Teachers

◆ Teachers must be “highly qualified” if teach core academic subjects:

- English
- Reading or language arts
- Mathematics
- Science
- Foreign languages
- Civics and government
- Economics
- Arts
- History
- Geography



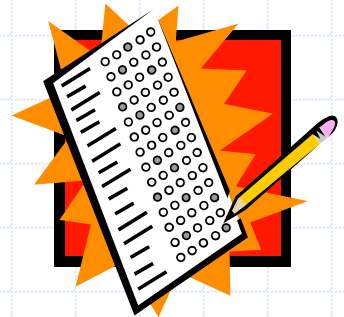
If career tech instructor is
teaching a core academic
subject, instructor must be
highly qualified!!

Scientifically Based Research (SBR)

- ◆ Curricula, professional development, instructional methodologies must be validated by rigorous evidence of effectiveness
(national clearinghouse for SBR)

Adequate Yearly Progress (AYP)

Must score higher on
standardized English and math
tests to make adequate yearly
progress



AYP

- ◆ All subgroups (racial, ethnic, low income, disabled, LEP) must make AYP
- ◆ Any subgroup fails, the school fails
- ◆ All schools must be 100% proficient by 2013-2014

AYP



The 100% goal by 2014 is
not realistic

AYP

- ◆ At least 95% of all students enrolled and 95% of each subgroup must take assessment
- ◆ Several states fail on participation rates
- ◆ Failing AYP for 2 consecutive years = school improvement

Contrast AYP to Perkins Improvement

- ◆ Transfers – 1st year in school improvement
- ◆ Supplemental Services – 2nd year of school improvement
- ◆ Corrective Action – 4th year
- ◆ Restructuring – 5th year



**House is using Perkins III
as the framework, not
SECTECH**

The Two Key Questions:

Will Perkins serve only career tech students?

Will Perkins become a competitive program?

The New Legal Framework

1. Focus on career tech
2. Sweeping emphasis on accountability
3. Aligned with NCLB – boost academic rigor of courses
4. Emphasis on integration, articulation
5. P/S dollars linked to WIA – partnerships with business
6. Not prescriptive as to where CTE takes place as long as students are academically prepared to enter college
7. Sanctions



Audit and Grants Management Issues

SEA Monitoring Responsibilities



What is EDGAR?

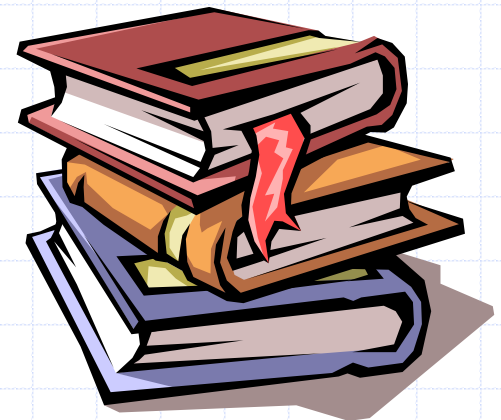
www.ed.gov/policy/fund/reg/edgarReg/edgar.html



Meaning of State Administered Programs

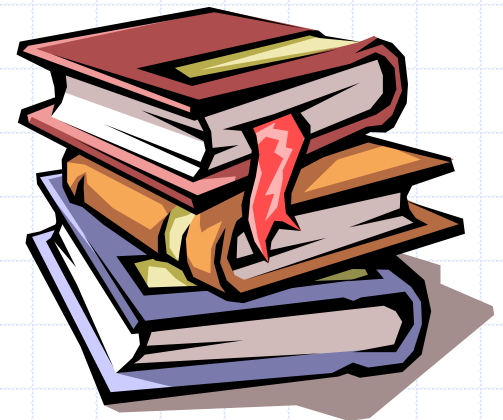
EDGAR 80.40

- ◆ SEA responsible for managing day-to-day operations of subgrant supported activities
- ◆ SEA is legally responsible for subgrantee expenditures



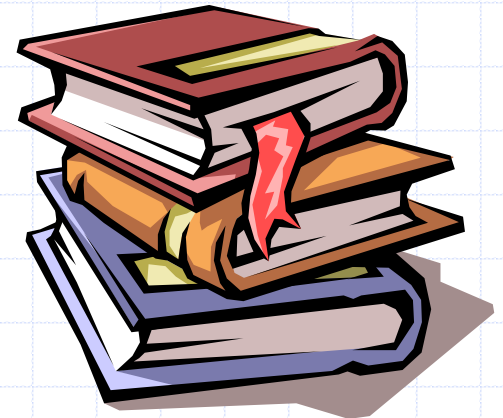
EDGAR 80.40

- ◆ SEA must monitor subgrantees to assure compliance with applicable federal requirements and performance goals being achieved

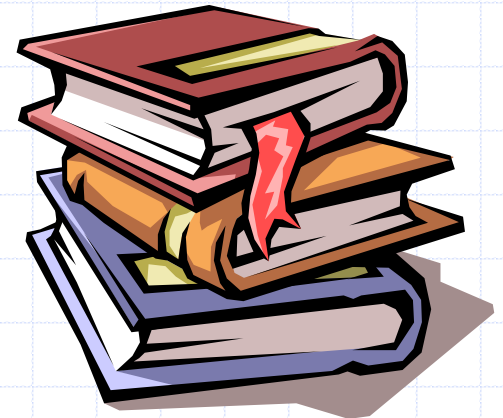


EDGAR 80.40

- ◆ Grantee monitoring must cover each program, function, or activity



- ◆ USDE is now citing 80.40 in its monitoring visits of states
- ◆ States are being written up for substandard monitoring
- ◆ What will Texas do?



USDE monitoring provides legal basis for audit exception

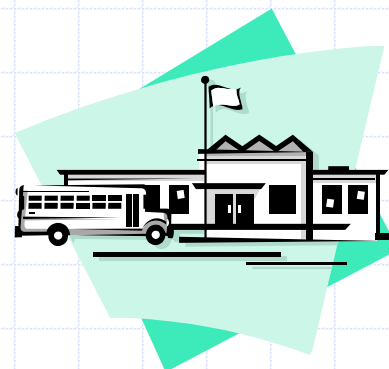
81.30(b)

See California example



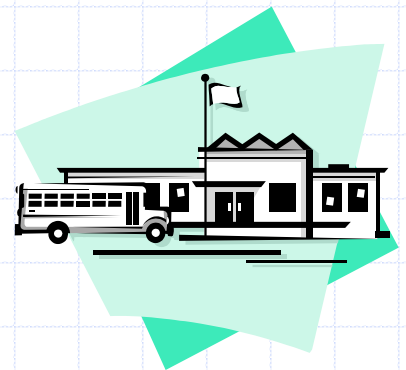
OMB Guidance:

“Grantee monitoring should occur throughout the year rather than relying solely on a once-a-year audit.”



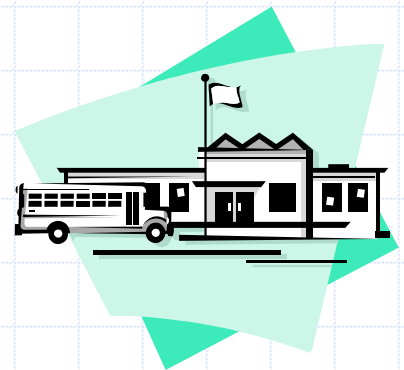
Monitoring:

- 1) Informing subgrantees of compliance requirements
- 2) Reviewing grantee financial and performance reports
- 3) Performing site visits

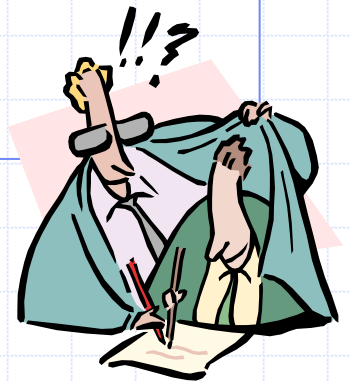


Funding for monitoring

- ◆ Generally it is permissible under state administration or state leadership



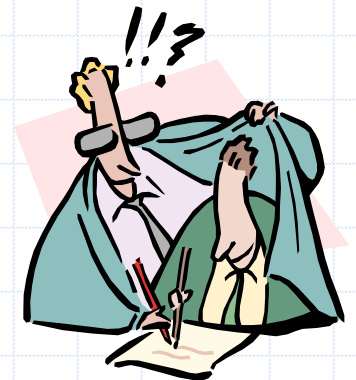
Single Audits



Single Audits

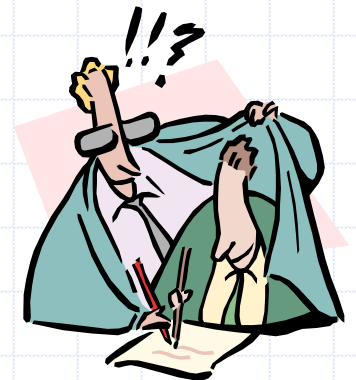
New threshold- \$500,000

Effective for audits covering fiscal periods
ending after Dec. 31, 2003



Change in threshold will affect less than half of one percent of federal awards spent by audited entities now

Relieve about 6000 entities



Supplanting

Supplanting

Hypothetical Question

LEADS TO PRESUMPTIONS

Lack of understanding

Confusion with other requirements

Presumptions of Supplanting

1. Required by Law
2. Prior Year Expenditures



OMB Compliance Supplement

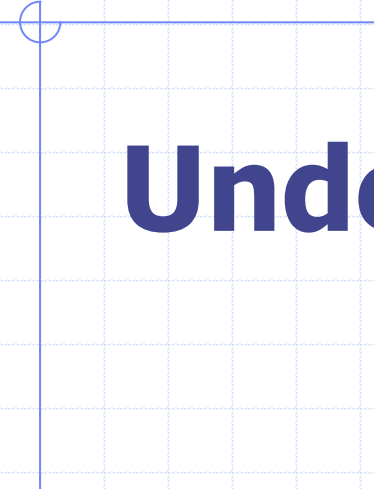
March 2002

Rebuttal of Presumptions

March 6, 2003 Letter from Undersecretary
Eugene Hickok to Oklahoma

EDGAR Trouble Spots

- 1) 76.707 Date of Obligation
- 2) 76.730 Records
- 3) 80.24 Cost Sharing
- 4) 80.22 Allowable Costs
- 5) 80.36 Procurements
- 6) 80.42 Retention of Records
- 7) 80.21 Payments to CBOs
- 8) 80.32 Management and disposition of equipment
- 9) 75.708(a) Issuing subgrants without statutory authority
- 10) 75.200(b)(4) A-133-Sec 210 Grants vs. Contracts vs. Coop. Agreements



Understanding the Federal Cost Principles A-87

Basic Guidelines

Costs Must Meet the Following Criteria:

- Necessary & Reasonable
- Allocable to the Federal Grant Award
- Authorized or Not Prohibited by State or Local Law

Basic Guidelines (continued)

Costs Must Meet the Following Criteria:

- Conform to the Limitations of A-87/A-21
- Consistent with other Federal Policies & Regulations that Apply

Basic Guidelines (continued)

Costs Must Meet the Following Criteria:

- Accorded Consistent Treatment
- Not Included as Cost Sharing, Except as Provided
- Adequately Documented

Determining Allocable Costs Under A-87/A-21:

- Determine if costs are:
- Allocable
 - Necessary
 - Reasonable
 - Legal
- Program cost prohibitions take priority over A-87's/A-21's general cost principles.

Reasonable Costs

- A cost is reasonable if it does not exceed that which would be incurred by a prudent person under similar circumstances.

Allocable Costs

- Costs are allocable to the grant if goods or services involved are chargeable to the cost objective in accord with benefits received.

Costs Must Be Allocable:

- If the goods or services involved benefit the vocational program, then cost can be allocated to the Federal award.
- Computer example

Advertising & Public Relations Costs

Explanation:

- ◆ Public relations and promotional costs are generally not allowable.

Alcoholic Beverages

Explanation:

- ◆ You can never charge the cost of alcoholic beverages to the Federal grant.
- ◆ If such expenditures are audited, an automatic audit exception will result.

Audit Services

Explanation:

- ❖ A percentage of audit costs is allowable, provided the audits are performed in accordance with the Single Audit Act.

Communication

Explanation:

- ◆ The following costs are allowable to your grant:
 - telephone
 - facsimile
 - on-line services
 - messenger
 - other similar costs

Compensation for Personnel Services

Explanation:

- ◆ This cost item includes compensation paid to teachers, counselors, administrators, coordinators, and other personnel.

Contributions & Donations

Explanation:

- ◆ Your Board may not use money to fund contributions and donations.
- ◆ Accordingly, contributions to political campaigns and even donations to charitable foundations are unallowable.

Entertainment

Explanation:

- ◆ You may not use funds to pay for entertainment.
- ◆ Items include: amusements, diversions, social activities, and any expenses directly related to entertainment, such as tickets to shows or sporting events, meals, lodging, rentals, transportation, or gratuities.

Equipment

Explanation:

- ◆ Generally, items of equipment with an acquisition cost below \$5,000 are considered supplies.
- ◆ Can be charged as a direct cost to your system.
- ◆ State law may prevent you from using Federal funds for equipment and/or may define equipment at an amount less than \$5,000.

Fines & Penalties

Explanation:

- ◆ You may not use funds to pay fines, penalties, damages and other settlement resulting from violations or alleged violations of or failure to comply with Federal, state, and/or local laws.

Fundraising & Investment Management Costs

Explanation:

- ◆ Costs for organized fundraising activities, such as financial campaigns and solicitations of gifts and bequests, are unallowable.

Idle Facilities

Explanation:

- ◆ Costs related to facilities or buildings that are not in use and unnecessary to carry out your program objectives are unallowable.

Insurance & Indemnification

Explanation:

- ◆ Insurance required for program participation is an allowable cost.

Lobbying

Explanation:

- ◆ Costs associated with activities that are meant to influence the grant process are unallowable.

Maintenance, Operations & Repairs

Explanation:

- ◆ If your campus's expenditures for maintenance, operations, and repairs meet certain criteria, then you may charge them to the grant.
- ◆ Costs for utilities, security, janitorial services, elevator services, upkeep of grounds are allowable.

Materials & Supplies

Explanation:

- ◆ The cost of materials and supplies used in the day-to-day operation of your system is an allowable expense.

Memberships, Subscriptions & Professional Activities

Explanation:

- ◆ The cost of your campus's participation in professional organizations and subscriptions to professional and technical publications is allowable.
- ◆ You may charge the cost of meetings and conferences when the primary activity is to communicate technical information about the grant.

Training

Explanation:

- ◆ Your school's professional development and training costs are allowable.

Travel Costs

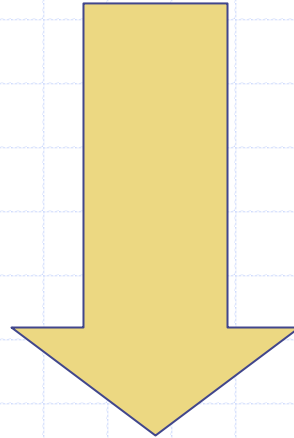
Explanation:

- ◆ Travel costs, including transportation, lodging, subsistence, and related items, incurred by your school's employees when traveling on business are allowable.



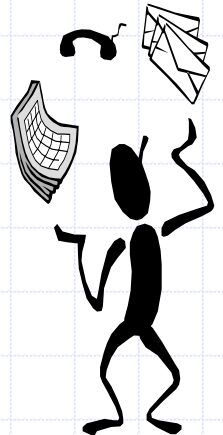
The Achilles Heel of Federal Compliance: A-87 Time Distribution

Support of Salaries & Wages



Personnel Activity Reports
(PAR)

PARs Required If Employee Is Working On Two Or More Functions



PAR Elements

- ◆ After the fact (not budgeted)
- ◆ Account for total activity
- ◆ Signed by employee or supervisor
- ◆ Prepared at least monthly



**SUBSTITUTE SYSTEMS
ALLOWED!**

Understanding the Uniform Administrative Requirements

A-102, A-110

34 CFR Parts 76 &
80

Obligations

Acquisition of Property	Date of binding written commitment
Personal Services by Employee	When services are performed
Personal Services by Contractor	Date of binding written commitment
Travel	When travel is taken

Prohibition on Subgrants

- ◆ Grantees cannot make subgrants unless statute authorizes; may enter into contracts.

Records

- ◆ Keep records that show:
 - Amount of funds under grant
 - 1) How the funds are used
 - 2) Total cost of the project
 - 3) Share of costs provided by other sources
 - 4) Records that show compliance
 - 5) Records that show performance
 - 6) Other records to facilitate an effective audit

Payments

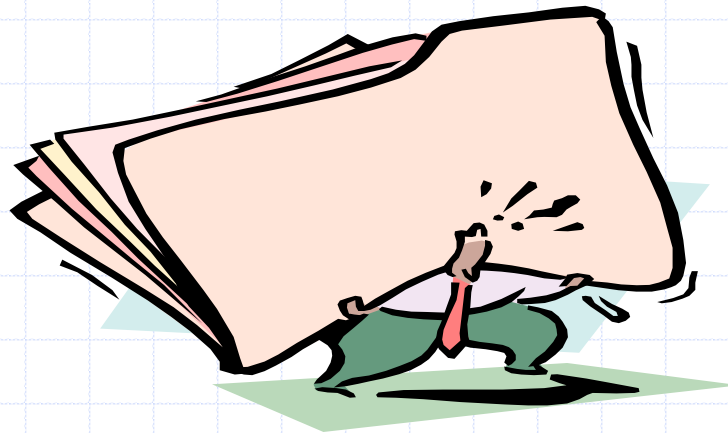


- ◆ Advance vs.
Reimbursement

- ◆ CMIA

Retention of Records

- ◆ 3 years
- ◆ Statute of limitations (ED) 5 years

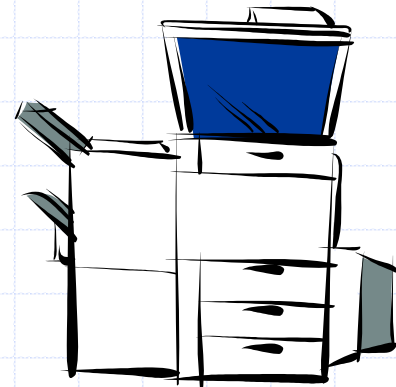
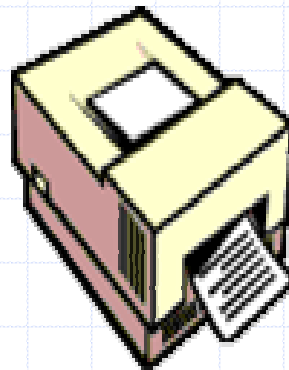
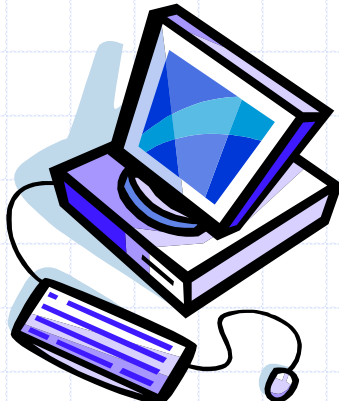


Program Income

- ◆ Grantees encouraged to earn income
- ◆ Income generally deducted from outlays
- ◆ Income generated after grant award—no Federal interest

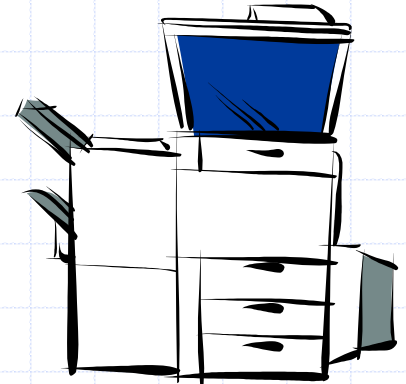
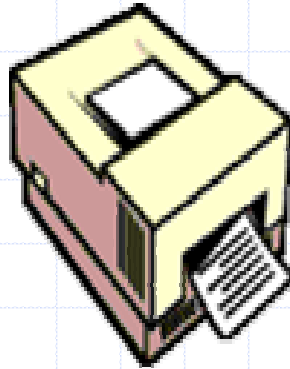
Equipment

- ◆ *Title vests in the grantee*
- ◆ When no longer needed, equipment may be used in other activities currently or previously supported with Federal funds



Equipment

◆ Use on other projects that do not interfere



Equipment Management & Disposition



See 34 CFR 80.32(d)
and (e)

Procurement

- ◆ Competitive bidding
- ◆ Exceptions—sole source
 - Available only from a single source
 - Public exigency—time

OMB Circular A-133

- Major Changes
 - Higher threshold
 - Allowability of audit costs
 - Monitoring Subrecipients
 - New risk-based approach

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QUESTIONS??

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